

Fraud Facts

Division of Insurance Fraud Investigation

The Division of Insurance Fraud Investigation of the Kentucky Department of Insurance is a statewide police agency charged with investigating reports of criminal activity involving insurance and workers' compensation. The predecessor of the division was the Fraud Unit of the Department, which was established in 1994. The fraud Unit was reorganized into its present status in 1996 to accommodate its expanding role in investigating fraudulent activity.

What is insurance fraud?

Criminal fraud is defined by the Kentucky Insurance Fraud Act (KRS Chapter 304.47) and may be committed by an individual or several people in a sophisticated conspiracy. Fraud generally involves elements of theft and dishonesty.

Examples include:

- Fake accidents & disability
- False applications & claims
- Theft of insurance premium
- False medical billing
- Arson
- Unauthorized insurance companies

What is the cost of insurance fraud?

Fraud provides the criminal element an avenue to illegally obtained money. National estimates of insurance fraud range up to \$120 billion. These losses are passed on to consumers by higher premiums and increased costs of doing business.

Indicators of Fraud

Reports of criminal activity often show indicators of fraud. Investigators look at these "red flags" to determine if an investigation should be pursued.

Examples of the many indicators of fraud include:

- No witnesses to accident
- Lengthy recovery period
- Unusual medical treatment
- Improperly issued insurance policies
- Cash transactions
- Lack of cooperation
- Excessive demands

Kentucky Law

The Kentucky Insurance Fraud Act (KRS Chapter 304.47) incorporates many model concepts. The law provides:

- Felony penalties
- Restitution
- Confidentiality
- Immunity

Special Investigation Units

Insurance carriers are required to maintain a plan to handle reports of fraudulent activity, including special investigation units. These units are an important part of the initiative against fraud by reporting the results of investigations to the Insurance Fraud Investigation Division.

